

EXHIBIT M

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051
<http://oversight.house.gov>

April 12, 2016

J. Michael Pearson
Chairman and Chief Executive Officer
Valeant Pharmaceuticals International, Inc.
400 Somerset Corporate Blvd.
Bridgewater, NJ 08807

Dear Mr. Pearson:

I am writing to request information that you have been withholding from Congress for several months about Valeant's relationship with what has been characterized as a "phantom captive" pharmacy known as Philidor Rx Services, LLC.¹ Your refusal to cooperate fully with Congress is extremely troubling and reflects a pattern of obstruction that impairs our ability to protect the American people against your company's exorbitant price increases.

Allegations of Improper Actions

According to press reports, Valeant employees were directly involved in Philidor's day-to-day operations beginning in 2013. Two of your former employees reported being directed to alter prescriptions so that Valeant products—rather than more affordable generic alternatives—would be dispensed. These and other Philidor employees also reportedly were directed to re-submit rejected insurance claims with different prices and pharmacy identification numbers to maximize reimbursements.² Valeant employees appear to have used fictitious email identities in their communications with Philidor employees to conceal their connections to Valeant.³

¹ *Short-Seller: Is Valeant the Pharmaceutical Enron?*, Fortune (Oct. 21, 2015) (online at <http://fortune.com/2015/10/21/valeant-philidor-stock-plummet/>); Valeant Pharmaceuticals International, Inc., *Investor Conference Call Presentation* (Oct. 26, 2015) (online at <http://ir.valeant.com/investor-relations/events-and-presentations/default.aspx>).

² *Insight—Valeant Played a Key Role in Building, Operating Philidor RX*, Reuters (Nov. 12, 2015); (online at www.reuters.com/article/valeant-pharmacies-officers-idUSL1N1361N720151112); *Philidor Said to Modify Prescriptions to Boost Valeant Sales*, Bloomberg (Oct. 29, 2015) (online at www.bloomberg.com/news/articles/2015-10-29/philidor-said-to-modify-prescriptions-to-boost-valeant-sales).

³ *Valeant and Pharmacy More Intertwined Than Thought*, Wall Street Journal (Oct. 25, 2015) (online at www.wsj.com/articles/valeants-ties-to-pharmacy-scrutinized-1445817449).

J. Michael Pearson
Page 2

These reports appear to be inconsistent with the claim made in a presentation accompanying an October 26, 2015, investor conference call that Philidor “operates independently” from Valeant.⁴ You did not disclose Valeant’s relationship with Philidor until October 19, 2015, despite the fact that your company had purchased an option for \$100 million in 2014 to acquire Philidor for \$0 for up to ten years.⁵ After press reports raised questions about Philidor’s business practices, Valeant terminated its relationship with the company in October 2015.⁶

On November 16, 2015, I wrote to you requesting transcribed interviews with several current and former Valeant employees who reportedly helped run Philidor’s business operations, including its questionable billing practices.⁷ On December 15, 2015, I wrote to you again, requesting documents and information concerning Valeant’s relationship with Philidor and your decision to withhold information from your shareholders.⁸ To date, you have failed to produce a single document in response to these requests or make a single Valeant employee available for an interview.

Ad Hoc Board Committee Investigation

On October 26, 2015, Valeant announced that it had formed an ad hoc committee of the Board of Directors to “review allegations related to the company’s business relationship with Philidor.”⁹ On February 22, 2016, your company announced that the ad hoc committee’s

⁴ Valeant Pharmaceuticals International, Inc., *Investor Conference Call Presentation* (Oct. 26, 2015) (online at <http://ir.valeant.com/~/media/Files/V/Valeant-IR/reports-and-presentations/10-26-15-investor-presentation.pdf>).

⁵ Transcript of Valeant Pharmaceuticals International, Inc., *Third Quarter Earnings Call* (Oct. 19, 2015) (online at <http://seekingalpha.com/article/3583366-valeant-pharmaceuticals-vrx-ceo-mike-pearson-q3-2015-results-earnings-call-transcript>); Valeant Pharmaceuticals International, Inc., *Investor Conference Call Presentation* (Oct. 26, 2015).

⁶ *Valeant Says It’s Cutting Ties with Troubled Pharmacy Philidor*, Bloomberg (Oct. 30, 2015) (online at www.bloomberg.com/news/articles/2015-10-30/valeant-says-it-s-cutting-ties-with-troubled-pharmacy-philidor).

⁷ Letter from Ranking Member Elijah E. Cummings, House Committee on Oversight and Government Reform, to J. Michael Pearson, Chief Executive Officer, Valeant Pharmaceuticals International, Inc. (Nov. 16, 2015) (online at <http://democrats.oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2015-11-16.%20EEC%20to%20Valeant%20CEO%20Mr.%20Pearson.pdf>).

⁸ Letter from Ranking Member Elijah E. Cummings, House Oversight and Government Reform Committee, to J. Michael Pearson, Chief Executive Officer, Valeant Pharmaceuticals International, Inc. (Dec. 15, 2015) (online at <http://democrats.oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2015-12-15.EEC%20to%20Valeant%20CEO%20Mr.%20Pearson.pdf>).

⁹ Valeant Pharmaceuticals International, Inc., *Valeant Pharmaceuticals Confirms Appropriateness of Accounting, Appoints Ad Hoc Board Committee to Review Philidor* (Oct. 26, 2015) (online at www.prnewswire.com/news-releases/valeant-pharmaceuticals-confirms-appropriateness-of-accounting-appoints-ad-hoc-board-committee-to-review-philidor-300318113.html).

J. Michael Pearson
Page 3

preliminary review had identified “certain sales to Philidor during 2014, prior to Valeant’s entry into an option to acquire Philidor, that should have been recognized when product was dispensed to patients rather than on delivery to Philidor.”¹⁰ As a result, Valeant prematurely recognized approximately \$58 million in net revenues stemming from Philidor dating back to 2014.¹¹

On March 21, 2016, Valeant announced that you would be resigning your position as Chief Executive Officer.¹² Valeant also announced that it would be restating certain financial statements filed in 2014 and 2015, and would delay filing its Form 10-K annual report with the Securities and Exchange Commission.¹³ Valeant also placed responsibility on your former Chief Financial Officer, Howard Schiller, who was asked to resign his seat on the Board of Directors, and your former Corporate Controller, Tanya Carro. Valeant stated:

[T]he company has determined that the tone at the top of the organization and the performance-based environment at the company, where challenging targets were set and achieving those targets was a key performance expectation, may have been contributing factors resulting in the company’s improper revenue recognition.¹⁴

On April 5, 2016, Valeant announced that the ad hoc committee had completed its review and had “not identified any additional items that would require restatements beyond those required by matters previously disclosed.”¹⁵ Valeant failed to release any findings relating to allegations of improper ties with Philidor. As a result, we still know very little about the relationship between Valeant and Philidor. The ad hoc committee’s failure to report on these claims is troubling, particularly given that this alleged misconduct occurred at the same time Valeant was improperly recognizing revenue from Philidor.¹⁶

appropriateness-of-accounting-appoints-ad-hoc-board-committee-to-review-philidor-300165850.html).

¹⁰ Valeant Pharmaceuticals International, Inc., *Valeant Ad Hoc Committee Has Made Substantial Progress in Its Review of Philidor and Related Accounting Matters* (Feb. 22, 2016) (online at <http://ir.valeant.com/news-releases/2016/02-23-2016-031141315>).

¹¹ *Id.*

¹² Valeant Pharmaceuticals International, Inc., *Valeant Announces CEO Succession Plan and Changes to Board of Directors; Provides Accounting and Financial Reporting Update* (Mar. 21, 2016) (online at <http://ir.valeant.com/news-releases/2016/03-21-2016-125936508>).

¹³ *Id.*

¹⁴ *Id.*

¹⁵ Valeant Pharmaceuticals International, Inc., *Valeant Ad Hoc Committee Announces Completion of Its Review of Philidor and Related Accounting Matters* (Apr. 5, 2016) (online at <http://ir.valeant.com/news-releases/2016/04-05-2016-134933679>).

¹⁶ Matt Levine, *Valeant Sold Some Drugs Twice*, Bloomberg View (Mar. 21, 2016) (online at www.bloombergview.com/articles/2016-03-21/valeant-sold-some-drugs-twice).

J. Michael Pearson
Page 4

Request for Documents and Information

Now that the ad hoc committee has completed its review, I request copies of all documents memorializing or communicating the ad hoc committee's findings, including but not limited to presentations to the board, memoranda, a list of all current and former employees who were interviewed, notes of those interviews, and all documents collected during the course of the ad hoc committee's investigation. I also renew my request for all documents and interviews requested previously in my letters of November 16, 2015, and December 15, 2015.

I request that you respond to this request by April 26, 2016. Please contact Alexandra Golden of my staff at (202) 225-5051 with any questions. Thank you for your attention to this matter.

Sincerely,



Elijah E. Cummings
Ranking Member

cc: The Honorable Jason Chaffetz, Chairman